

# Summary of Consolidated Results for the Fiscal Year Ended March 31, 2006

(Stock code: 2871)

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## Processed Foods and Logistics Led to a Rise in Sales and Jump in Earnings in FY06/3



### Consolidated Business Results for the Fiscal Year Ended March 31, 2006

(100 million yen; amounts less than 100 million yen are omitted)	05/3	06/3(E)	06/3	Change between FY05/3 and FY06/3 results	
				Change (Amount)	Change (%)
<b>Net Sales</b>	4,614	4,690	4,694	+ 79	+ 1.7%
<b>Operating Income</b>	134	150	160	+ 25	+ 18.8%
<b>Recurring Income</b>	128	145	156	+ 27	+ 21.5%
<b>Net Income</b>	58	62	62	+ 4	+ 7.1%

Note: "FY06/3(E)" represents the forecast for FY06/3, which was released on February 8, 2006.

#### **1. Net Sales**

- (i) Sales rose 2% overall due to strong sales in Processed Foods and Logistics offsetting sluggish results in Marine Products.

#### **2. Operating Income**

- (i) Processed Foods posted a 27% jump in operating income, up ¥1.2 billion, thanks to improved capacity utilization at production plants derived from increased sales, and the subsidized purchase prices for chicken.
- (ii) Marine Products was unable to achieve an operating profit due to an insufficient sales amount to cover fixed costs through strict inventory volume control and streamlined product line in an adverse business environment of tougher procurement competition and depressed domestic market price in addition to losses from disposal of overdue inventories of crab and fish roe carried over from the previous fiscal year.
- (iii) Logistics posted a 63% jump in operating income, up ¥2.2 billion, due to a steady increase in storage volume through enhanced regional marketing and lower operational costs at the regional storage companies, along with increased operation of new logistics operation centers launched in 2005.

#### **3. Recurring Income**

- (i) Net interest expenses improved by ¥0.3 billion compared to FY05/3, while gain from equity method investment was down by ¥0.4 billion.

#### **4. Net Income**

- (i) Net extraordinary item was down by ¥0.5 billion compared to FY05/3, while the impairment accounting necessitated a loss of ¥4.2 billion.

# Processed Foods: Rise in Net Sales and Jump in Earnings, Marine Products: Widening Operating Loss



## Sales and Operating Income by Segment (1)



### 1. Processed Foods

Sales were up 4% overall compared to FY05/3, with a 27% jump in earnings. The recovering market for processed chicken products helped boost sales of fried chicken and other products. Production costs were lowered significantly thanks to improved capacity utilization at domestic group plants, and subsided market prices of raw materials.

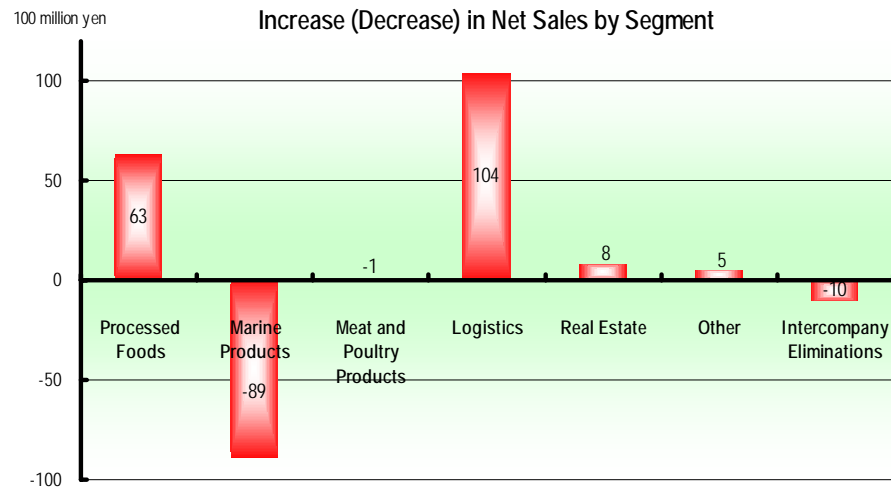
### 2. Marine Products

The operating loss widened overall. Sales were down 10% compared to FY05/3, due mainly to insufficient business volume secured to cover fixed expenses through strict inventory control and a streamlined product line in an adverse business environment of tougher procurement competition and depressed domestic market price in addition to losses from disposal of overdue inventories of crab and fish roe carried over from the previous fiscal year.

Sales and earnings from shrimp products were both down due to such factors as continuing depressed retail prices and limited offering of the shrimps used for other food products.

### 3. Meat and Poultry Products

Sales remained on a par with the previous fiscal year overall. Chicken posted a sales increase due to increased sales of domestic chicken, which offset a sales decline in the imported chicken. Despite strong sales of fresh and Australian beef, earnings were down due to the rapid decline in the market price for beef tongue. Sales of both domestic and imported pork were up due to a stronger demand as a substitute for U.S. beef and a market sentiment of scarcity.

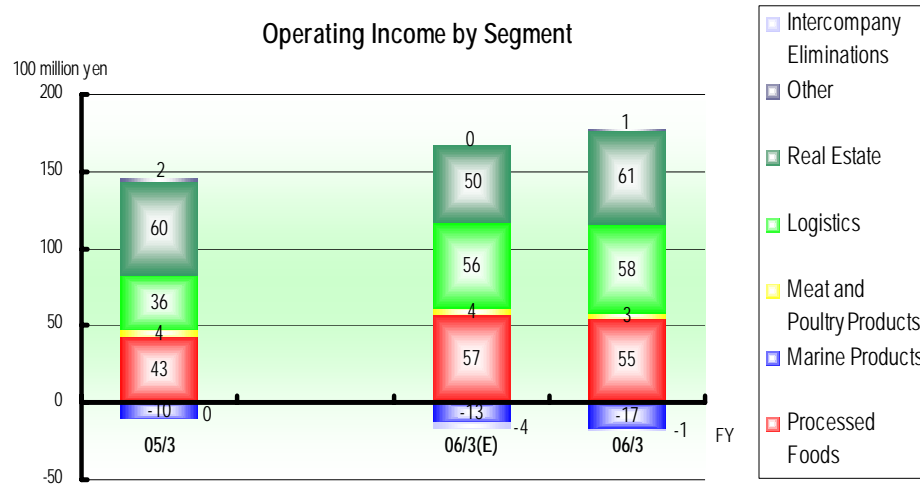


Note: The amounts shown in graphs have been rounded to the nearest unit where necessary throughout this presentation.

# Logistics: Significant Rise in Sales and Earnings, Real Estate: Strong Sale of Condominium



## Sales and Operating Income by Segment (2)



### 4. Logistics

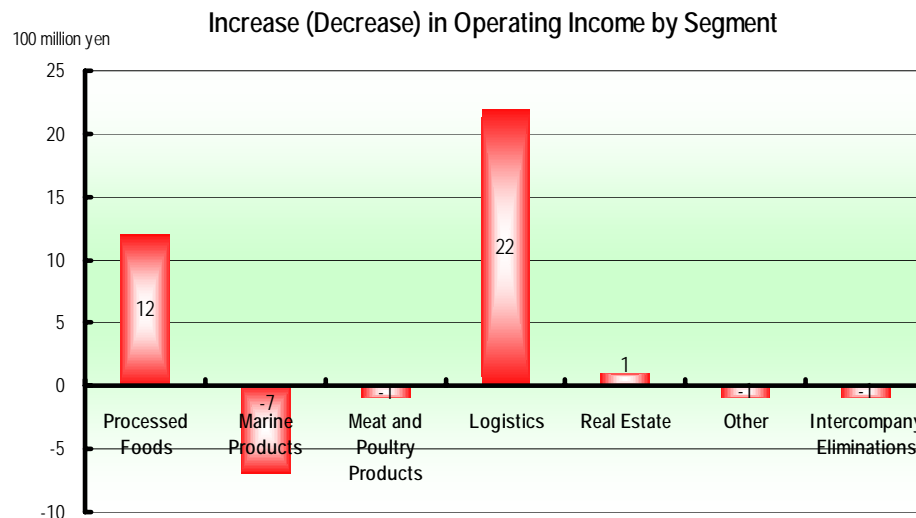
Sales jumped 9% compared to FY05/3, boosted by a start of operation at new distribution centers, steady increase in storage volume through enhanced regional marketing efforts and the high level of storage utilization in the Tokyo Bay district. Operating income soared 63% accordingly in combination with low-cost operation for regional storage business.

### 5. Real Estate

Both sales and earnings were up due to sales of residential land in Konohana-ku, Osaka, and condominiums sales in Makuhari, Chiba.

### 6. Other

Bioscience posted increased revenue due to strong sales of media products, but a decline in earnings as a result of a fall in transaction volume for highly profitable functional materials. Our U.S. subsidiary, Tengu Company continued its scaled-back production mode due to the longstanding BSE issue.



# Sales Up Overall, Led by Pre-Cooked Frozen Foods for Commercial Use



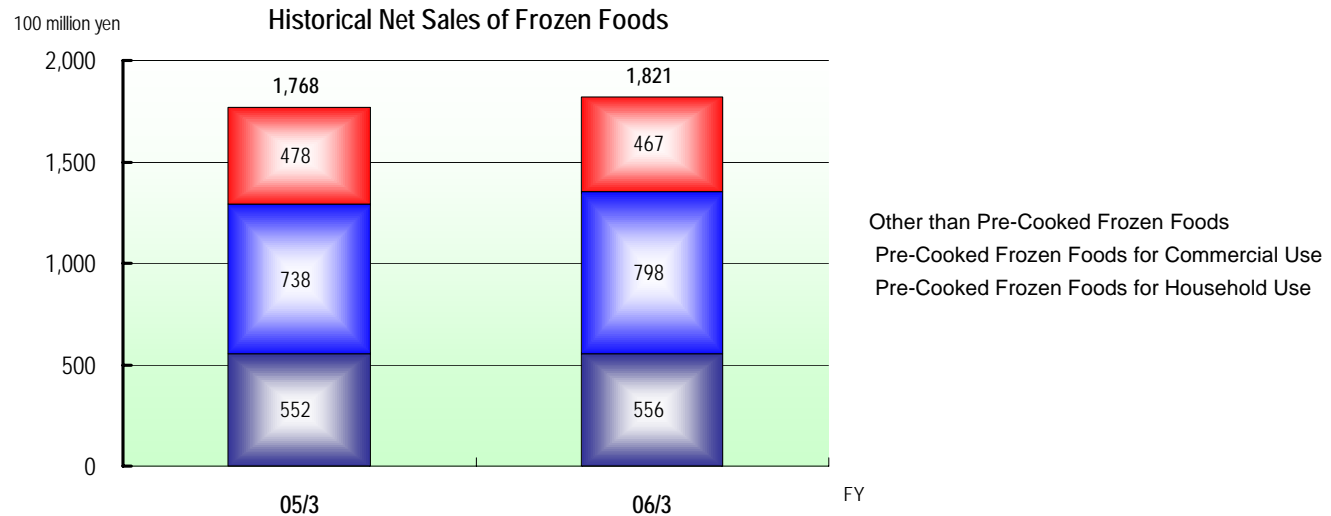
## Frozen Foods Sales

### 1. Frozen Foods Overall

Sales were up 3% from FY05/3. Sales of pre-cooked frozen foods were up 5% overall led by stronger sales of commercial use products. Sales of frozen vegetables were up 4%, due mainly to strong sales of hash brown potatoes and broccoli.

### 2. Pre-Cooked Frozen Foods

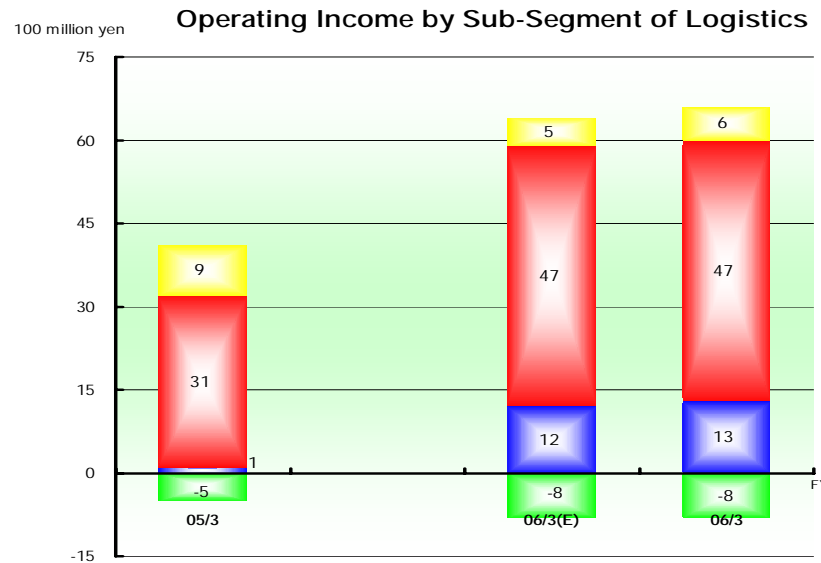
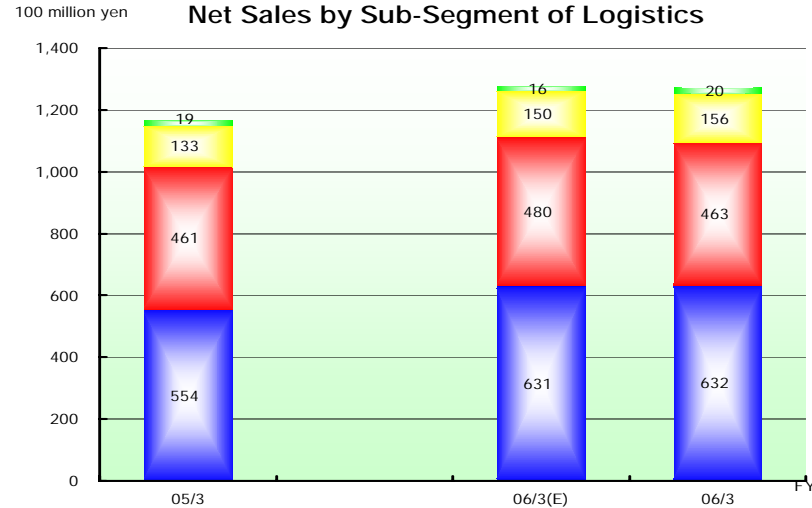
- (i) Household use: Sales were up 1% from FY05/3. The rise in sales was led by such processed chicken products as “*Hon-Wafu Wakadori Karaage*,” along with “*Mini-Hamburg*” and “*Imagawa-yaki*.” Sales of the *Obenti-ni-Good* (Good for *Bento* Boxed Lunches) series products struggled, despite strong sales of “*Mini-Hamburg*,” “*Yawaraka Hitokuchi Cutlet*,” and “*Koromo-ga-Sakusaku Gyuniku Croquette*.”
- (ii) Commercial use: Sales were up 8% from FY05/3, led by such processed chicken products as “*Wakadori-no-Yawaraka Karaage*,” along with robust sales of the “*Hotto Suru Okazu*” series products for the delicatessen segment.
- (iii) By category, sales of processed meat products were strong, with growing sales of processed chicken products, “*Yawaraka Hitokuchi Cutlet*” and minced cutlets. The sales increase was also aided by robust sales of croquette products such as “*Koromo-ga-Sakusaku Croquette*” series products, and rice products.



# Logistics Earnings Jump Due to Recovery of the Regional Storage Business



## Factors of Changes in Performance of the Logistics Business



### 1. Logistics Network Business

Sales were up sharply due to a full year of operation at one new facility, and half-year operation at another new transfer center. Earnings rose sharply due to the operational improvement at less profitable facilities offsetting the pressure by higher fuel costs for transport and lower transport efficiency.

### 2. Regional Storage Business

Sales were effectively up 2% excluding the negative impact from the sale of the Kyushu regional foods division in FY05. Transaction volume rose due to increased storage utilization through enhanced regional marketing efforts, and significant recovery in storage level in the Tokyo Bay district.

Operating income jumped significantly due to a reduction in the number of administrative personnel at the head office and all regional offices, and a shift of fixed expenses to variable expenses.

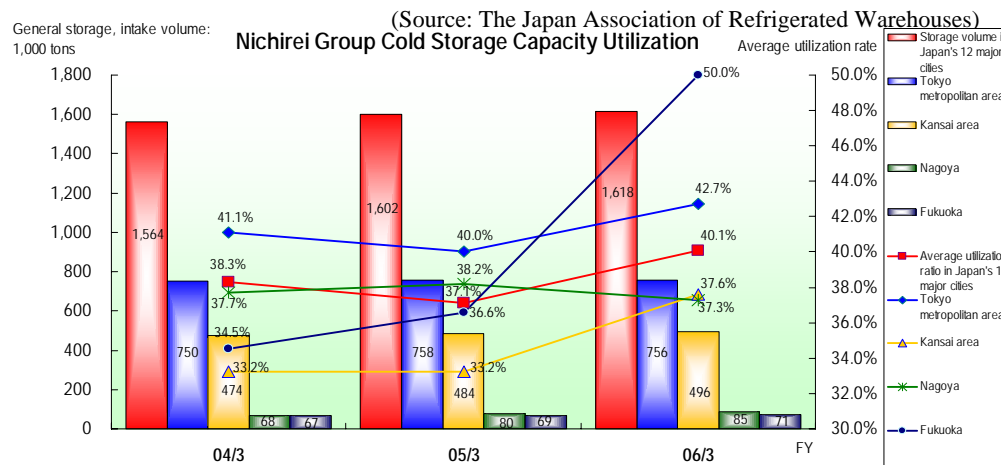
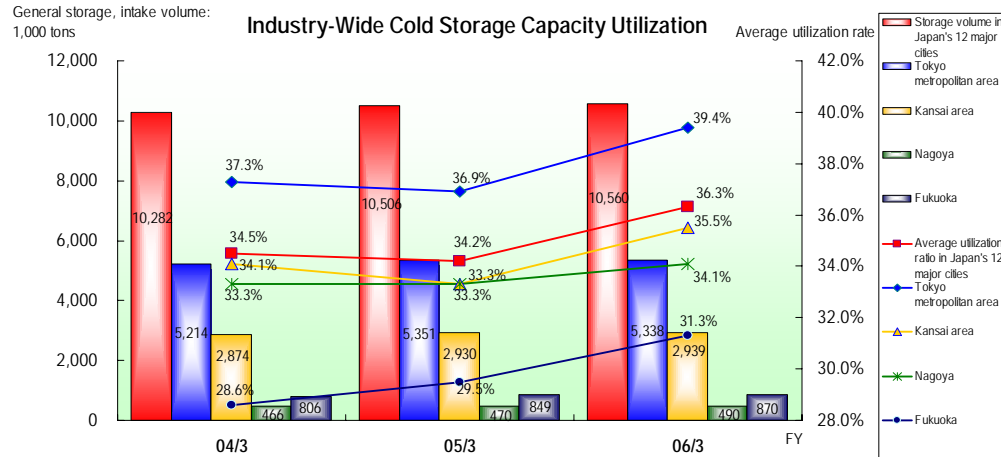
### 3. Overseas Business

Sales were up thanks to an increase in sales in fruit juice storage and transport business, but earnings were down overall owing to declined storage rates in tougher market competition and delayed order filling for vacated storage space in certain refrigerated facilities.

# Storage Capacity Crunch in the Tokyo Metropolitan Area Suppressed Intake Volume



## Cold Storage Capacity Utilization



### 1. Industry Conditions

Intake volume in Japan's 12 major cities rose by a meager 0.5%, but declined slightly in the Tokyo metropolitan area. Overall capacity utilization was up in general.

### 2. Nichirei Group Situation

Storage capacity crunch in the Tokyo metropolitan areas slightly suppressed intake volume. The utilization rate continued to rise, due to recovery in chicken imports, and the stagnant turnover of meat products, mainly in the Tokyo metropolitan area.

### 3. Industry-wide Capacity

There was a slight rise in the industry overall.

Company/Group	No. of facilities	Capacity (Tens of thousands of tonnes)	Change from Jan.'05	Capacity share	Main area of operation
Nichirei Group	90	133	-2	12%	Nationwide
Maruha Group	48	61	-5	6%	Nationwide
Yokohama Reito	38	60	+5	5%	Nationwide
Toyo Suisan Group	23	40	-1	4%	Nationwide
Nippon Suisan Group	23	34	-1	3%	Nationwide
Igarashi Reizo	8	19	0	2%	Kanto
Matsuoka	6	16	0	1%	Kanto, Kansai, Chugoku
Housen Reizo	4	11	0	1%	Kansai
K.R.S.	21	11	0	1%	Nationwide
Hyoshoku	7	11	0	1%	Kansai
Hutechnorin	8	11	0	1%	Nationwide
Futaba	4	10	+2	1%	Kanto
Kawanishi Warehouse	7	10	+1	1%	Kanto, Kansai
Chuo Reito	8	9	0	1%	Kanto
Tokyo Toyomi Reizo	4	9	0	1%	Kanto
Yamate Reizo	5	9	0	1%	Kanto, Chubu
Kowan Reizo	6	8	(0)	1%	Kanto, Kansai, Kyushu
Other	1,358	643	+18	58%	
<b>Total</b>	<b>1,668</b>	<b>1,108</b>	<b>16</b>	<b>100%</b>	

## Medium-Term Target Balance for Interest-Bearing Debt Achieved



### Factors for Material Changes in the Consolidated Balance Sheets for the Fiscal Year Ended March 31, 2006

(100 million yen; amounts less than 100 million yen are omitted)

Item	05/3	06/3	Change (Amount)	
<b>[Assets]</b>				
Current assets	1,088	1,081	-6	
Fixed assets	1,675	1,603	-72	(i)
Total assets	2,764	2,685	-79	
<b>[Liabilities/Shareholders' equity]</b>				
Current liabilities	933	830	-103	(ii)
Fixed liabilities	883	821	-62	(ii)
Total liabilities	1,817	1,652	-165	
Minority interests	6	6	-0	
Shareholders' equity	940	1,026	+86	
(Interest-bearing debt)	1,119	862	-257	(iii)
<b>Item</b>	<b>05/3</b>	<b>06/3</b>	<b>Change (Amount)</b>	
(Capital investment)	49	65	+15	(iv)
(Depreciation and amortization)	111	107	-3	

#### Major Factors

- (i) Investment securities up ¥6.9 billion due to rising market prices of shares held. Tangible and intangible fixed assets were down ¥12.4 billion due to ordinary depreciation, impairment accounting and sale of land aiming at efficient business asset management over increased capital investment.
- (ii) Payables rose by ¥1.4 billion, while impairment of lease assets totaled ¥2.1 billion. Repayment of commercial paper and long-term debt resulted in a reduction of liabilities by ¥26.4 billion.
- (iii) Medium-term target balance for interest-bearing debt of less than ¥97 billion was comfortably achieved one year ahead of schedule.
- (iv) Major capital investment in FY06/3:
  - Expansion of production facilities and production lines through integration of plants at Nichirei Foods
  - Expansion of the Miyakonojo distribution center
  - Construction of the Ishikari distribution center

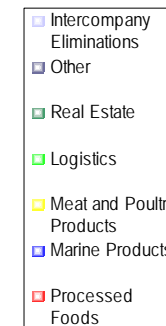
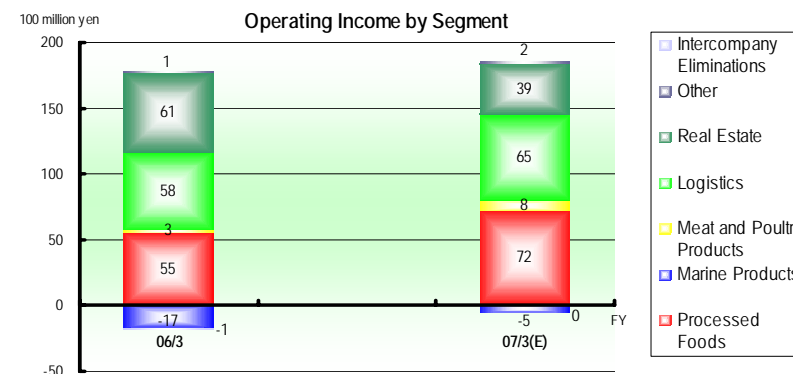
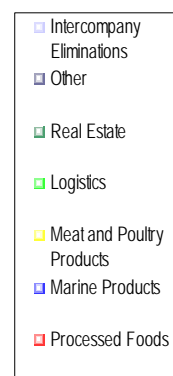
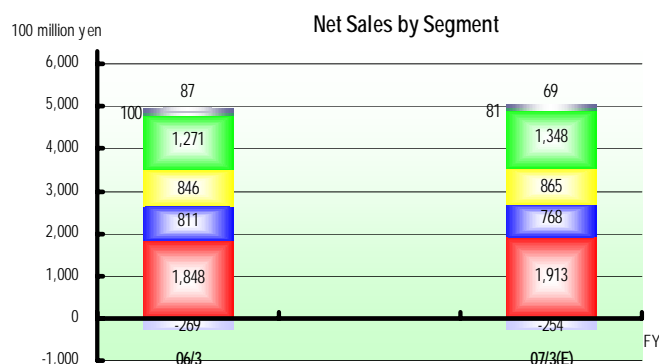


## FY06/3 Forecast: Sharp Rise in Earnings from Core Businesses and Contraction of Loss in Marine Products



### Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2007

	06/3	07/3 (E)	Change of result for FY 06/3 and forecast for FY 07/3	
			Change (Amount)	Change (%)
<b>Net Sales</b>	4,694	4,790	+95	+2.0%
<b>Operating Income</b>	160	181	+20	+13.0%
<b>Recurring Income</b>	156	175	+18	+11.7%
<b>Net Income</b>	62	93	+30	+47.8%



1. Sales in the Processed Foods, Meat and Poultry Products and Logistics are expected to rise. Sales in the Marine Products are expected to fall under the ongoing recovery plan, but the operating loss is forecast to be narrowed by ¥1.2 billion. Operating income is forecast to rise 13%, or ¥2.0 billion, overall.
2. Sales of Processed Foods are expected to rise, mainly in pre-cooked frozen foods for commercial use. Earnings are expected to grow due to improved capacity utilization at production plants of the Group.
3. Logistics is forecast to post a rise in sales as a result of the growing logistics network business, and also a rise in earnings due to business improvement at less profitable facilities and speedier measures to strengthen overall transport operations.
4. Extraordinary losses such as impairment losses are forecast to decline, and net income is forecast to reach record-high levels together with an increase in operating income. Net income per share is forecast to be ¥30.

## Extraordinary Items to Improve in FY07/3 over FY06/3



(Unit: 100 million yen; amounts less than 100 million yen are omitted)		Change between FY06/3 and FY05/3			Change between FY 06/3 and FY07/3(E)			
		06/3	05/3	Change (Amount)	07/3(E)	06/3	Change (Amount)	
<b>[Non-Operating Revenues/Expenses]</b> (Main items)		-3	-5	+2	<b>[Non-Operating Revenues/Expenses]</b> (Main items)		-6	-3
Dividend income and interest expenses, net		-10	-13	+3	Dividend income and interest expenses, net		-11	-0
Equity in earnings/losses of affiliates	(i)	+10	+14	-3	Equity in earnings/losses of affiliates	(i)	+8	+10
<b>[Extraordinary Income/Losses]</b> (Main items)		-25	-20	-4	<b>[Extraordinary Income/Losses]</b>	(vii)	-15	-25
Gain on sales of property, plant and equipment	(ii)	+54	+5	+48				+11
Loss on sales of property, plant and equipment	(iii)	-24	-9	-15				
Impairment loss	(iv)	-41	-	-41				
Special severance package expense	(v)	-5	-9	+4				
Loss on discontinued operations	(vi)	-14	-3	-10				

- (i) Major changes in profit/loss due to the equity method accounting of affiliates:  
 06/3: RY Food Service Ltd.: Down ¥0.2 billion.  
 The Kyoto Hotel, Ltd.: Down ¥0.2 billion, due to reduced equity stake.  
 07/3E: RY Food Service to be excluded from equity method accounting in coming October (down ¥0.3 billion) due to the proposed merger with Ryoshoku Limited.
- (ii) Sale of land, including sites of former food production plants
- (iii) Loss resulting from sale of the main logistics information management system (down ¥1.7 billion)
- (iv) Loss resulting from implementation of impairment accounting of assets
- (v) Payment of early retirement benefit for retired Marine Products employees in FY06/3
- (vi) Loss resulting from closure of food plants in Hakata and Shiroishi, and cold storages in Sapporo, Matsuyama, Kochi and Hakata.
- (vii) Loss on sale/disposal of fixed assets expected in FY07/3

## Segment Data: Actual and Estimate



Unit: 100 million yen (amounts less than 100 million yen are omitted,  
some fractional amounts have been adjusted)

	05/3	06/3		07/3(E)
		(E)	Actual	
<b>(Net Sales)</b>				
Processed Foods	1,785	1,842	1,848	1,913
Marine Products	900	827	811	768
Meat and Poultry Products	847	839	846	865
Logistics	1,167	1,277	1,271	1,348
Real Estate	92	88	100	81
Other	82	94	87	69
Intercompany Eliminations	-259	-277	-269	-254
<b>Total</b>	<b>4,614</b>	<b>4,690</b>	<b>4,694</b>	<b>4,790</b>
<b>(Operating Income/Loss)</b>				
Processed Foods	43	57	55	72
Marine Products	-10	-13	-17	-5
Meat and Poultry Products	4	4	3	8
Logistics	36	56	58	65
Real Estate	60	50	61	39
Other	2	0	1	2
Intercompany Eliminations	0	-4	-1	0
<b>Total</b>	<b>135</b>	<b>150</b>	<b>160</b>	<b>181</b>

06/3(E) was announced on February 8, 2006.

## Forward-Looking Statements



**This publication contains, in addition to historical facts, forward-looking statements that are based on Nichirei's and its Group companies' current expectations, estimates and projections regarding plans, outlook, strategies and results for the future. All such statements are based on management's assumptions and beliefs derived from the information available to it at the time of publication. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," and variations of these words or similar expressions are intended to identify forward-looking statements, from which actual results may differ significantly. Thus, it is advised that investors refrain from making investment decisions based solely on these forward-looking statements. Nichirei and its Group companies will not necessarily revise their forward-looking statements in accordance with new information, future events and other results. Risks and uncertainties that could affect the actual results of Nichirei and its Group companies include, but are not limited to:**

- (1) The business environment and industry conditions, such as trends in personal consumption, that affect the business activities of the Nichirei Group**
- (2) Fluctuations in exchange rates, mainly U.S. dollar and euro rates**
- (3) The feasibility of establishing a unified product guarantee structure, covering all aspects from product development, purchasing of ingredients, production and sales**
- (4) The feasibility of new product and service development**
- (5) The feasibility of growth strategies and low-cost structures**
- (6) The feasibility of reductions in interest-bearing debt**
- (7) The results of contingencies, etc.**

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